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16th April 2014

Dear Joanna,

Ofgem Consultation on the legal and regulatory framework to establish new arrangements for the gas central service provider

Wales & West Utilities Limited (WWU) is a licensed Gas Distribution Network (GDN) providing Gas Transportation services for all major shippers in the UK. We cover 1/6th of the UK land mass and transport gas to over 2.4 million supply points.

We welcome the opportunity to respond to this important consultation on the future arrangements for Xoserve Ltd. For the avoidance of doubt, this response can be published in full.

Since network sales in 2005, Xoserve Ltd, owned and governed by the Transporters, has provided effective and efficient services to shippers and gas transporters including WWU. It is therefore important that any future change is carefully implemented to ensure there is no deterioration in service or increased cost to industry participants.

1. Legal and Regulatory framework change options

We are generally supportive of a co-operative model and pleased that Ofgem recognises the industry benefits of retaining a single common service provider model.

We want to successfully establish the new arrangements as outlined in your October 2013 decision and we have assessed the options covered within the consultation against the four key objectives which we agree with;

- to reinforce and facilitate a responsive IT and information service provider
- to ensure alignment of obligations, risk and control

24 hour gas escape number
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0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

Wales & West Utilities Limited
Registered Office:
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- to provide a framework that can be industry led, while reserving regulatory powers that allow us to influence new arrangements in protection of the public interest
- to implement new arrangements in the most simple and practical manner, given these objectives.

The consultation asks two key questions and we address them both here.

Can the UNC efficiently require parties to jointly participate in the governance and funding arrangements or is it more appropriate to include these requirements in each party's licence?

We agree that either option could meet the aims and objectives. Whilst we acknowledge that the UNC is an effective instrument, we think placing requirements in each party's Licence will better facilitate the alignment of obligations, risk and control. We therefore agree with the CEPA conclusions that a combination of UNC and Licence obligations will better meet the aims and objectives.

Are there any additional benefits in Xoserve becoming a party to the UNC, when compared to the service agreement approach?

To implement a fully co-operative model we can see additional benefits of Xoserve becoming a party to the UNC. As a UNC party, Xoserve would be a counter party to contractual arrangements and we think this would provide clarity and clear responsibility for the delivery of services and obligations.

2. Implementation Process

You will be aware that WWU along with the other GDNs have taken responsibility for implementing the changes required to deliver the future co-operative model. We are broadly supportive of the work streams highlighted within the consultation.

We are currently working up a high level plan and will test our initial outline plan with industry representatives on May 13th at the "Change Overview Board Meeting". We would welcome Ofgem participation in this meeting.

Whilst we have only completed an initial scope of each of the work streams, we would like to highlight to Ofgem that a significant amount of work is required to bring about the required co-operative model. Our early view is that it may take up to 24 months to fully implement all work streams. During this period, we may be able to deliver a number of transitional arrangements as long as we have collective buy in from all industry participants.

There is clearly a lot of further work to be completed and WWU will fully engage with all industry participants to implement the future arrangements that we hope will deliver effective and efficient services to all parties.

Yours sincerely,



Steve Edwards
Head of Regulation
Wales & West Utilities